

**BELLAIRE DISTRICT FIRE AUTHORITY
FOREST HOME AND KEARNEY TOWNSHIPS
ANTRIM COUNTY
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name BELLAIRE DISTRICT FIRE AUTHORITY		County ANTRIM	
Fiscal Year End MARCH 31, 2006		Opinion Date MAY 17, 2006		Date Audit Report Submitted to State JUNE 16, 2006			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) KESKINE, COOK, MILLER & ALEXANDER, LLP			Telephone Number (989) 732-7515	
Street Address 100 WEST FIRST STREET			City GAYLORD	State MI
			Zip 49735	
Authorizing CPA Signature		Printed Name JAMES D. CAMILLER		License Number 1101027621

FIRE AUTHORITY BOARD

Chairman	Ed McDuffie
Vice-Chairman	Jim Baker
Secretary	Roger Rainey
Treasurer	Quinton White
Member	Mike Bigelow

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
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Richard W. Miller, C.P.A.
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Curt A. Reppuhn, C.P.A.

Independent Auditor's Report

May 17, 2006

Members of the Board
Bellaire District Fire Authority

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Bellaire District Fire Authority, as of and for the year ended March 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the Bellaire District Fire Authority, Antrim County, Michigan as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principle generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on page 14 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

K. J. Cook Miller & Alexander LLP
Keskin, Cook, Miller & Alexander, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Bellaire Fire District Authority annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended March 31, 2006.

Please read it in conjunction with the financial statements that immediately follow this section.

Financial Analysis of the Entity as a Whole

Our financial status remained consistent compared to the last year. Assets increased by approximately \$104,000. Total assets are now \$2,117,172 of which \$1,366,982 represents capital assets. The increase in total assets is attributable to significant capital asset purchases during the year ended March 31, 2006.

Liabilities increased from \$0 in the prior year to approximately \$163,000 as of March 31, 2006. This entire balance consists of the purchase of a new fire tanker truck that although will not be received until May, 2006 was custom built for the Authority and was substantially completed as of March 31, 2006.

The excess of revenue over expenses totaled approximately \$165,000 which increases the Authority's net assets to approximately \$2.0 million of which approximately 1.4 million is invested in capital assets.

The following table shows, in a condensed format, the net assets as of March 31, 2006 and 2005.

	<u>3/31/2006</u>	<u>3/31/2005</u>
Assets		
Current assets	\$ 750,190	\$ 680,986
Noncurrent assets	1,366,982	1,107,999
	<hr/>	<hr/>
Total assets	2,117,172	1,788,985
 Current Liabilities	 162,711	 -
	<hr/>	<hr/>
Net Assets		
Invested in capital assets	1,366,982	1,107,999
Unrestricted	587,479	680,986
	<hr/>	<hr/>
	<u>\$ 1,954,461</u>	<u>\$ 1,788,985</u>

Overall revenues were approximately \$473,000 and overall expenses were approximately \$308,000 in the statement of activities. Revenue decreased approximately \$4,000 from the prior year due to the sale of capital assets that produced revenue in the prior year. Contract revenue resulting from property taxes levied in Forest Home and Kearney Township's increased approximately \$26,000 from the prior year as a result of increasing taxable value of properties located within the two Townships. The Authority's contract with Custer Township increased approximately \$1,000 from the prior year.

Expenses for the year ended March 31, 2006 totaled \$307,967 in the statement of activities including depreciation of approximately \$75,000. In the prior year, expenses totaled approximately \$270,000 which included approximately \$73,000 of depreciation expense.

The excess of revenue over expenses totaled approximately \$165,000 which increases the Authority's net assets to approximately \$2.0 million of which approximately 1.4 million is invested in capital assets.

Overview of the Financial Statements

This annual report consists of three parts; management discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority.

The government-wide financial statements provide both long and short-term information about our overall status. The fund financial statements provide financial information using the current measurement focus. The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Financial Statements

The government-wide statements report information about the Authority as a whole, using accounting methods used by private companies. The statement of net assets includes all the Authority's assets and liabilities. The state of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities and this is one method to measure the Authority's financial health or position.

Over time increases or decreases in the Authority's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Authority, you may also have to consider additional factors such as tax base changes, facility and equipment conditions, and personnel changes.

All of the activities of the Authority are reported as governmental activities; the Authority engages in only one type of activity – fire rescue services.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The entity has the following kind of funds:

Fire Fund - All of the Authority's activities are included in the fire fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the entity wide statements and the fund statements are disclosed in the adjustment columns of the financial statements to explain the differences between them.

Capital Assets

As of March 31, 2006, the Authority had approximately \$2,300,000 of capital assets of which approximately \$900,000 has been expensed as depreciation. Capital assets include land, the fire department building, trucks, and various other equipment. During the year ended March 31, 2006, capital asset additions include an addition to the fire building at a cost of approximately \$109,000, a new pumper truck (which was not physically received by the Authority until May, 2006) for approximately \$224,000, and various equipment totaling approximately \$5,000.

Known Factors affecting Future Operations

The Fire Authority is committed to providing fire services to the residents of Forest Home, Kearney, and part of Custer Township. At this point in time, we have no formalized plans for significant operating changes or capital asset purchases.

Contacting Authority Management

This financial report is designed to provide our taxpayers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Fire Authority Board.


Chris Dewey, Fire Chief
Bellaire Fire District Authority

BELLAIRE DISTRICT FIRE AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET - STATEMENT OF NET ASSETS
MARCH 31, 2006

	Balance Sheet - Modified Accrual	Adjustments	Statement of Net Assets - Full Accrual
Assets			
Cash	\$ 699,135	\$ -	\$ 699,135
Contracts receivable:			
Kearney Township	39,131	-	39,131
Forest Home Township	11,924	-	11,924
Capital assets not being depreciated	-	232,561	232,561
Capital assets being depreciated, net	-	1,134,421	1,134,421
Total assets	<u>\$ 750,190</u>	<u>1,366,982</u>	<u>2,117,172</u>
Liabilities			
Accounts payable	\$ 162,711	-	162,711
Fund Balance			
Unreserved and undesignated	587,479	(587,479)	
Total liabilities and fund balance	<u>\$ 750,190</u>		
Net Assets			
Invested in capital assets		1,366,982	1,366,982
Unrestricted		587,479	587,479
Total net assets		<u>\$ 1,954,461</u>	<u>\$ 1,954,461</u>

See accompanying notes to financial statements.

BELLAIRE DISTRICT FIRE AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

	Revenues and Expenditures - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
Revenue			
Contracts:			
Forest Home Township	\$ 223,871	\$ -	\$ 223,871
Kearney Township	191,046	-	191,046
Custer Township	42,312	-	42,312
Interest	13,454	-	13,454
Miscellaneous	2,760	-	2,760
	<hr/>	<hr/>	<hr/>
Total revenue	473,443	-	473,443
Expenditures			
Wages and fringes	126,898	-	126,898
Fire fighting supplies	21,499	-	21,499
Fire fighting accessories	19,062	-	19,062
Repair and maintenance	17,286	-	17,286
Office expense	3,063	-	3,063
Professional fees	1,125	-	1,125
Public relations	1,793	-	1,793
Insurance	26,378	-	26,378
Utilities	10,238	-	10,238
Medical	1,254	-	1,254
Training	4,307	-	4,307
Miscellaneous	352	-	352
Capital outlay	338,195	(338,195)	-
Depreciation	-	74,712	74,712
	<hr/>	<hr/>	<hr/>
Total expenditures	571,450	(263,483)	307,967
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(98,007)	263,483	165,476
Fund Balance / Net Assets:			
Beginning of year	685,486		1,788,985
	<hr/>	<hr/>	<hr/>
End of year	\$ 587,479	\$ 263,483	\$ 1,954,461
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 1: ENTITY

The Bellaire Fire District Authority is a joint venture created in December 1973 by Forest Home and Kearney Townships. The Department was organized to better serve the citizens of both Townships and the Village of Bellaire. The Authority is under the control of a Board consisting of two members from each Township and a member from the Village of Bellaire. The Board members are appointed by each Townships' Board. The Board's duties are to oversee operations, maintain assets, and communicate with the Fire Chief. In March 1982, the taxpayers of Forest Home and Kearney Townships voted to create a joint special assessment district, under authority of Michigan Public Act 33 of 1951 as amended. This special assessment provides the funding for the Authority's operations. The Fire Authority's boundaries include all of Forest Home and Kearney Townships. Separate financial statements are available from Forest Home and Kearney Townships as follows: Forest Home Township, PO Box 317, Bellaire, MI 49615-0317; Kearney Township, PO Box 51, Bellaire, MI 49615-0051.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the Bellaire District Fire Authority are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide required disclosures of the Authority's financial activities.

The accounting policies of the Bellaire Fire District Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole.

Fund Financial Statements

Fund financial statements are provided for the Authority's governmental fund. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FUND TYPE AND MAJOR FUND

Governmental Fund

The Authority reports the following major governmental fund:

Fire Fund - This fund is used to account for all financial transactions of the Bellaire Fire District Authority. The Authority's primary source of revenue is from contracts with both the member Townships and neighboring Townships. The source of the member Township's contributions are from property taxes in the form of special assessments for fire protection. The neighboring Township's Contract is renewed on an annual basis. Additional revenue sources are interest income from investments and other income from miscellaneous activities.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Expenditures are recorded when the related fund liability is incurred, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes and investment income. In general, other revenues are recognized when cash is received.

BUDGET

An annual budget is required of the Bellaire Fire District Authority. The budget is open to the public for their consideration before final adoption. The Authority's budget was adopted on a fund level using the modified accrual basis of accounting. The budget was amended as necessary throughout the year. Both the original and amended budgets are presented in these financial statements, as a part of required supplementary information. Budgets as adopted end on March 31st of each year. There are no carryover budget items.

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. No overexpenditures were noted on a fund level for the year ended March 31, 2006.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESTRICTED RESOURCES

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority first uses restricted net assets to fund the expense and once depleted, uses unrestricted net assets to fund the remaining expense.

CAPITAL ASSETS AND DEPRECIATION

The Authority's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government wide financial statements. The Authority has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Authority generally capitalizes assets with historical cost of \$1,500 or more as purchase and construction outlays occur, if:

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

1. the estimated life of the assets is extended by more than 25% or
2. the cost results in an increase in the capacity of the asset, or
3. the efficiency of the asset is increased by more than 10%, or
4. the expense significantly changes the character of the asset

Otherwise, the cost is expensed as repair and maintenance.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	25 – 40
Land Improvements	10 – 20
Furniture, machinery, and equipment	1 – 10
Vehicles and Peripherals	20 – 30

Land and construction in progress are not depreciated.

For information describing capital assets, see Note 7.

NOTE 3: CUSTODY OF ASSETS

All assets are under the control of the Authority. Per state statute, the Bellaire Fire District Authority may not retain title to any assets and must designate one member as custodian. The Township of Forest Home has been designated as the custodial member. The Authority has indicated that should it dissolve, remaining assets would be split pro rata between the Townships based on their respective equalized value at the time of dissolution.

NOTE 4: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Authority's Fire Fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and the statement of activities. The difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the economic focus of the statement of the governmental fund balance sheet and the statement of revenue, expenditures, and changes in fund balance.

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 4: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

The following reconciliation of fund balance to net assets and the changes in fund balance to the net change in net assets are as shown.

Total Fund Balance - Modified Accrual Basis	\$ 587,479
Amounts reported for use in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	1,366,982
Total Net Assets - Full Accrual Basis	<u>\$ 1,954,461</u>
Net Change in Fund Balance - Modified Accrual Basis	\$ (98,007)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities these costs are allocated over their estimated useful lives as depreciation. This is the amount by which depreciation exceeds capital outlays in the current period	263,483
Change in Net Assets - Full Accrual Basis	<u>\$ 165,476</u>

NOTE 5: CASH

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States of any agency or instrumentality of the United States; repurchase agreements; banker's acceptances of United States banks; commercial paper rated within the two highest classifications, which mature no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 5: CASH AND INVESTMENTS (CONTINUED)

The Board has designated two banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized the Fire Authority to invest in all of the State statutory investments as listed above. The deposits and investment policies are in accordance with statutory authority.

The Fire Authority had no investments during the year ended March 31, 2006.

The bank balance of the Fire Authority's deposits totaled \$704,655 of which \$129,919 is covered by the FDIC.

NOTE 6: CONTRACTS RECEIVABLE

Balances at March 31, 2006, consist of Township delinquent property taxes that as of year-end, had not been received by the Townships. These balances are paid to the Fire Authority by the Townships within 60 days of year-end following the Township's settlement with the County.

NOTE 7: ACCOUNTS PAYABLE

Accounts payable is entirely comprised of a liability owed for the purchase of a new pumper fire truck. Although the fire truck was not received until May 2006, as of March 31, 2006, the construction of the truck was substantially completed and the Authority was unable to cancel the order.

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 8: CAPITAL ASSETS

Capital asset activity of the Fire Authority's governmental activities was as follows:

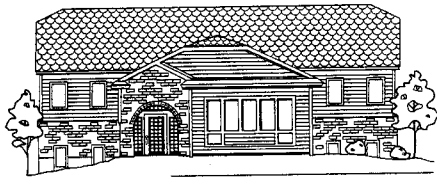
Governmental Activities:	Balance Beginning of Year	Additions	Disposals	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 8,500	\$ -	\$ -	\$ 8,500
Construction in process	-	224,061	-	224,061
Subtotal	8,500	224,061	-	232,561
Capital assets being depreciated:				
Buildings	206,675	109,707	-	316,382
Equipment	201,038	4,426	-	205,464
Vehicles	1,578,556	-	-	1,578,556
Subtotal	1,986,269	114,133	-	2,100,402
Accumulated depreciation:				
Buildings	99,503	5,892	-	105,395
Equipment	43,834	12,607	-	56,441
Vehicles	747,933	56,212	-	804,145
Subtotal	891,270	74,711	-	965,981
Net capital assets being depreciated	1,094,999	39,422	-	1,134,421
Net capital assets	1,103,499	263,483	-	1,366,982

NOTE 9: INSURANCE COVERAGES

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Authority participates in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Authority pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Authority has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Authority carries commercial insurance for other types of losses including employee health and accident insurance.

BELLAIRE FIRE DISTRICT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET FAVORABLE (UNFAVORABLE)
Revenues:				
Contracts:				
Forest Home Township	\$ 220,000	\$ 220,000	\$ 223,871	\$ 3,871
Kearney Township	200,000	200,000	191,046	(8,954)
Custer Township	42,500	42,500	42,312	(188)
Interest	1,000	1,000	13,454	12,454
Miscellaneous	5,000	5,000	2,760	(2,240)
Total revenue	468,500	468,500	473,443	4,943
Expenditures:				
Wages and fringes	120,000	120,000	126,898	(6,898)
Fire fighting supplies	25,000	25,000	21,499	3,501
Fire fighting accessories	25,000	9,090	19,062	(9,972)
Repair and maintenance	43,000	43,000	17,286	25,714
Office expense	5,000	4,400	3,063	1,337
Professional fees	4,000	4,000	1,125	2,875
Public relations	7,000	7,000	1,793	5,207
Insurance	25,000	23,600	26,378	(2,778)
Utilities	10,000	10,000	10,238	(238)
Medical	8,000	8,000	1,254	6,746
Training	10,000	10,000	4,307	5,693
Miscellaneous	15,500	24,910	352	24,558
Capital outlay	342,868	351,368	338,195	13,173
Total expenditures	640,368	640,368	571,450	68,918
Excess (deficiency) of revenues over (under) expenditures	(171,868)	(171,868)	(98,007)	73,861
Fund Balance - April 1	685,486	685,486	685,486	-
Fund Balance - March 31	\$ 513,618	\$ 513,618	\$ 587,479	\$ 73,861



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May 17, 2006

Bellaire District Fire Authority
Antrim County

We have audited the financial statements of the Bellaire District Fire Authority for the year ended March 31, 2006, and have issued our report thereon dated May 17, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 13, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Bellaire District Fire Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bellaire District Fire Authority are described in the notes to the financial statements.

We noted no transactions entered into by the Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached pages summarizes the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The Bellaire District Fire Authority's accounting records were well organized and we are happy to report that there were no difficulties in performing the audit. We commend the Authority for significantly improving the accounting records in the last couple of years.

Comments and Recommendations

In planning and performing our audit of the financial statements of the Elmira-Warner Fire Authority, we considered the Authority's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit procedures, we became aware of certain matters that represent opportunities for strengthening internal controls and operating efficiency. The following comments and recommendations should be implemented to the extent possible in order to strengthen internal controls and operating efficiency.

- The Authority approved a credit card policy on October 14, 2002 that included a maximum approved credit limit of \$2,500. Currently, the Authority has two credit cards (one for gas and a Visa) with a combined credit limit of \$10,500 (\$8,000 for the gas card and \$2,500 for the Visa). Although there are no outstanding balances on the credit cards, the receipt of a credit limit is essentially a line-of-credit. By the actual credit limits exceeding the approved credit card policy, there is in essence an unapproved credit line.

We recommend that the Authority either amend their credit card policy to allow for the current credit limits or contact the credit card companies to request a decrease in the credit limit to ensure that the total outstanding credit limit extended by the credit card companies does not exceed the approved credit limit contained within the policy.

Comments and Recommendations (Continued)

- During the course of our audit fieldwork, we noted an expense for a Fire Fighter's Christmas party in the amount of \$1,410 and a contribution made to the American Cancer Society in the amount of \$100. Both of these expenditures constitute illegal expenditures for a governmental unit in the State of Michigan. Since the majority of your funding is through property tax dollars levied in Forest Home and Kearney Township for "fire protection" the only allowed expenses are those associated with "fire protection".

Through discussions with Carol Austin, we noted that these expenditures were intended to be spent from the "Fire Fighter's Account" which was intended to be a separate account from the Fire Authority's accounts. However, the "Fire Fighter's Account" is maintained in a financial institution under the name of the Fire Authority and is under the Employee Identification Number (EIN) of the Fire Authority.

We recommend that the firefighter's of the Bellaire District Fire Authority establish either an entity or simply a bank account under a name other than the Bellaire District Fire Authority for the purpose of funding parties, contributions, etc. Revenues for this account cannot be comprised of property taxes, contracts with neighboring Townships, or interest income derived from these sources. This new entity can be comprised entirely of firefighters, but should not incorporate the name of the Fire Authority or be easily misinterpreted by the general public as the Fire Authority.

- The general ledger software currently being used is QuickBooks. When paying vendor invoices in QuickBooks, the date that the checks are being written is being entered into the software instead of the date that is on the invoice. As a result, no accounts payable is being computed by the software. For example, an invoice that is received in March 2006 for goods also received in March 2006 is being paid in April 2006. Under the current procedures, the software is not recording the expense until April 2006. As a result, expenses were understated for the year ended March 31, 2006. Although the amount of this understatement was immaterial to the Financial Statements as a whole and was not recorded, future amounts may be larger and require additional audit adjustments.

We recommend that the invoice date be entered into QuickBooks when paying vendor invoices, which will allow the software to correctly calculate accounts payable balances and accurately accumulated expenses in the correct period.

We hope you find the above comments and recommendations useful. We are available to discuss these items in further detail with you at your convenience.

This information is intended solely for the information of the Bellaire District Fire Authority's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Keskin, Cook, Miller & Alexander LLP